



TESTIMONY

The 2020-21 Executive Budget and the Public Schools

Senate Finance Committee
 Assembly Ways and Means Committee
 February 11, 2020

Chairwoman Krueger, Chairwoman Weinstein, other members of the Senate and Assembly:

I am Robert Lowry, Deputy Director of the New York State Council of School Superintendents. Thank you for the opportunity to testify today.

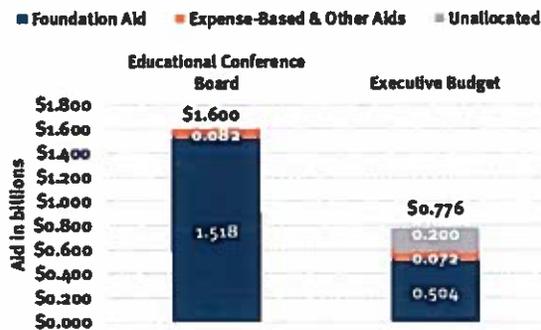
We recognize the challenges you will face in constructing a balanced budget that protects essential services for all New York's families, and we are grateful for your past support of public schools, in good times and bad.

We hoped for a larger increase in School Aid. The \$826 million increase proposed in the Executive Budget is roughly half of the \$1.6 billion that we and our partners in the Educational Conference Board estimate would enable to schools to maintain current services, given straightforward assumptions about costs and what districts could raise locally with the property tax cap inflation factor set at 1.81%.¹

Our organization has urged consideration of a four-part agenda to improve financial sustainability and predictability for public schools:

- First, make the tax cap a true 2%—not the lesser of 2% or inflation. Couple that with a more workable carryover provision that would reward districts for holding increases below the cap when they can, to have savings to use in tougher years. We also asked for a couple commonsense adjustments and one of those was finally done by regulatory action last month—the exclusion for the local share of BOCES capital costs.
- Second, take steps to help schools manage and control costs.
- Third, allow school districts to set aside funds for teacher pension obligations, just as municipalities can do for all their pension obligations—you enacted that change last year and we are grateful.
- But the cornerstone has to be a commitment to funding and updating the Foundation Aid formula. Put simply, *change the rules or fund the rules*. If there are not going to be any changes to state rules

Comparison of Executive Budget School Aid Increase and Educational Conference Board Estimate of Increase Needed to Maintain Current Services



NOTE: ECB proposes an additional \$500 million for programmatic increases; the Executive Budget proposes an additional \$50 million.

SOURCE: Compiled by NYSCOSS from ECB and Executive Budget documents.

¹ The Educational Conference Board assumes a 2.5% increase in salaries, consistent with nationwide trends for all occupations; a 7.9% in health insurance, consistent with Division of the Budget projections for the state workforce; a \$200 million increase in Teachers Retirement System Costs, consistent with November estimates from TRS; and a 2.2% increase in other costs, consistent with the change in the Consumer Price Index projected by DOB in November. These estimates would result in an overall cost increase of 3.0%, to be offset by what districts could raise locally within the 1.81% property tax cap for 2020-21.

which drive up school costs while restricting the ability to raise local revenues to pay those costs, then those rules must be funded.

Consolidating Expense-Based Aids—Bad for Schools, Bad for Students

At the Foundation Aid roundtables, the Senate held around the state this past fall, a common desire expressed by superintendents and other district leaders was for greater predictability in state aid.

Consolidating over \$1.8 billion from 10 “expense-based” aids into Foundation Aid would be a giant step in the wrong direction.

Among the aids to be consolidated are BOCES and Textbook Aids. Currently, if a district sends more students to BOCES career and technical education programs, or relies more on BOCES shared administrative services, it can generally anticipate more BOCES Aid in the year ahead. Likewise, if a district enrolls more students, it can expect more Textbook Aid. Similar points can be made about some other aids proposed for consolidation.

"Expense-Based" Aids Proposed to be Consolidated into Foundation Aid

	2019-20	2020-21	Change	% Change
BOCES Aid	1,012,265,807	1,023,295,816	11,030,009	1.09%
Non-BOCES Special Services Aid	263,547,359	260,485,776	(3,061,383)	-1.16%
High Tax Aid	223,298,324	223,298,324	-	0.00%
Textbook Aid	173,456,360	174,786,033	1,329,673	0.77%
Charter School Transition Aid	46,035,880	45,363,171	(672,709)	-1.46%
Computer Software Aid	44,502,011	45,192,606	690,595	1.55%
Hardware and Technology Aid	36,638,025	36,978,167	340,142	0.93%
Academic Enhancement Aid	28,271,832	28,271,832	-	0.00%
Library Materials Aid	18,408,620	18,855,470	446,850	2.43%
Supplemental Public Excess Cost Aid	4,333,167	4,333,167	-	0.00%
Total	1,850,737,185	1,860,840,362	10,103,177	0.55%

SOURCE: Compiled by NYSCOSS from NYSED School Aid data

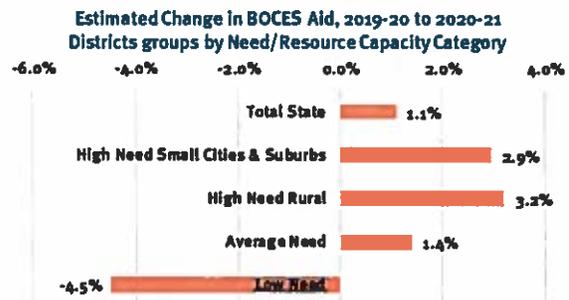
But one of the flaws with Foundation Aid now is that the formula has become increasingly divorced from what is happening in schools. Districts have no assurance of more Foundation Aid if they enroll more students, or more students who are in poverty, or more who are English Language Learners.

Essentially, a new collection of formulas is constructed each year to determine Foundation Aid increases for that year. Districts have no way of predicting what increase in Foundation Aid they might receive from one year to the next.

Consolidating BOCES Aid is especially alarming. Small, poor districts rely on BOCES shared services to provide opportunities for their students that they could not offer on their own. A rural superintendent wrote to us, “What will happen to BOCES? What will happen in future years when we need to increase spending to send additional students to career and technical programs, but the Foundation Aid increase doesn’t even come close to that increase?” Employers look to BOCES to provide the trained workforce their jobs require. A small city superintendent warned, “In the long run I think BOCES would atrophy and make it less and less likely for districts to use BOCES [services].”

In BOCES, we have an enviable model for regionalization. Why dismantle a system that serves students and communities so well?

For 2020-21, the projected statewide increase in BOCES Aid is only 1.1%, but high need districts are anticipating larger increases—3.2% for high need rural districts, and 2.9% for high need small cities and suburbs. High need districts might lose the most from consolidation.



SOURCE: NYSCOSS analysis of NYSED School Aid data

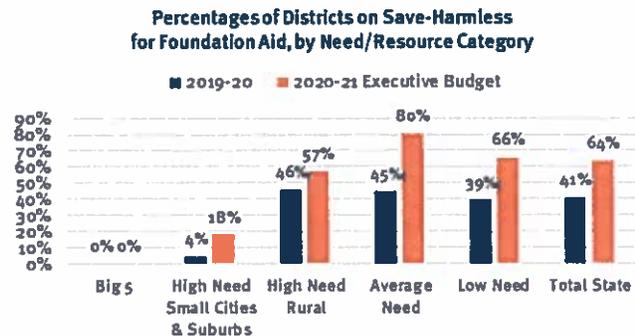
The amounts to be consolidated from the 10 aids would be calculated under the separate formulas for 2020-21, then folded into Foundation Aid. But then those formulas would be discontinued, and the amounts would become part of the total base of Foundation Aid for the years that follow. If results from 2020-21 are unusual, however, that part of the base would be set at an atypically low or high number. Relying on this snapshot in time may not match longer-term realities, leading to new inequities between similarly situated districts.

There is one more wrinkle from the proposal: it would inflate actual progress toward full funding of Foundation Aid.

Under current law, 2020-21 Foundation Aid is now \$3.8 billion below what the fully phased-in formula would provide, assuming continuation of save-harmless so that no district would lose aid. The Executive Budget would increase Foundation Aid by \$504 million. So the new full-funding gap should \$3.3 billion, right?

Wrong. Over \$1.8 billion in expense-based aids would now be counted as Foundation Aid, reducing the full-funding gap by that amount.

The consolidation would also affect save-harmless figures: more districts would fall on to save-harmless and districts already there would fall deeper into save-harmless. The consolidation would add over \$500 million to the amount of save-harmless funding needed under the fully phased-in formula. It would increase the number of districts on save-harmless from 275 in 2019-20 to 424 in 2020-21—64% of all districts.



SOURCE: NYSCOSS analysis of NYSED School Aid data

Bottom-line? We calculate the Foundation Aid full funding gap that would result from the Executive Budget proposal would be \$1.999 billion. *While schools would receive a \$504 million increase in actual aid, the gap would be reduced by \$1.8 billion.*

How a \$504 million Increase Produces a \$1.8 billion Reduction in the Full Funding Gap for Foundation Aid

	2019-20	2020-21	Change
Current Law Aid	18,404,769,721	18,404,769,721	
Current Law Full Funding Aid Target*		22,243,550,738	
Current Law Full Funding Gap		(3,838,781,017)	
Consolidation of Expense Based Aids	1,850,737,185	1,860,840,362	10,103,177
Adjusted Foundation Aid	20,255,506,906	20,265,610,083	10,103,177
Community Schools Increase		50,000,781	50,000,781
Best of Tiers A through E		443,690,532	443,690,532
Executive Budget Aid	20,255,506,906	20,759,305,396	503,798,490
New Full Funding Target**		22,758,323,052	
Executive Budget Full Funding Gap		(1,999,017,656)	

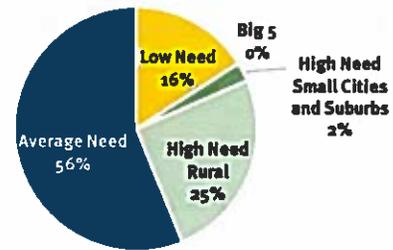
* Assumes continuation of save-harmless

** Counting \$1.8 billion in expense-based aids as Foundation Aid increases need for save-harmless funding—districts already on save-harmless fall deeper into save-harmless and more districts fall into save-harmless.

SOURCE: NYSCOSS analysis of NYSED School Aid data

Being on save-harmless means a district receives more Foundation Aid now than it would under the formula if fully phased-in. It is critical to bear in mind that most of the districts on save-harmless are deemed high or average need in the State Education Department’s “Need/Resource Capacity” categories. Eighty-three percent of the save-harmless funding under the Executive proposal would go to average and high need school districts. The share going to these districts would increase by two points from 2019-20, from 25% to 27%.

Distribution of Foundation Aid Save-Harmless Funding Under Executive Budget



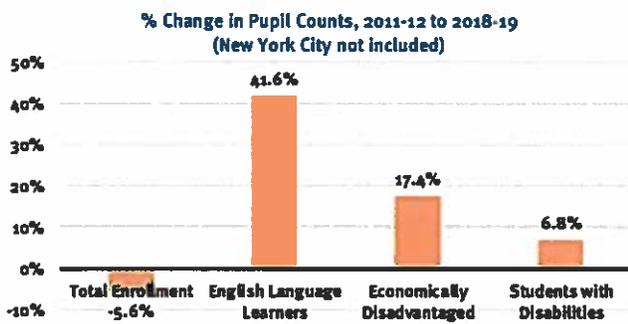
SOURCE: NYSCOSS analysis of NYSED School Aid data

Foundation Aid—What Should Be Done

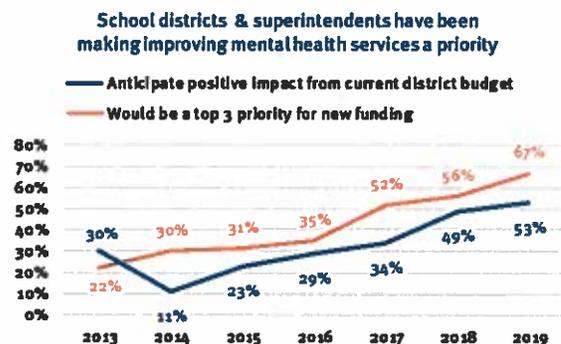
The 2007 Foundation Aid formula was an under-appreciated achievement in public policy:

- It generally drove the greatest aid per pupil to the neediest school districts;
- It promised all districts greater predictability in aid for all districts; and
- It used factors that that could be understood, evaluated, and debated, making funding decisions more transparent.

But more than 10 years have passed, and facts have changed. Enrollments in many districts have fallen, but student needs in nearly all have grown. Concerns over students’ mental and emotional health have surged throughout the state. And we did not have a property tax cap when Foundation Aid was enacted.



SOURCE: Council analysis of NYSED enrollment data



SOURCE: NYSCOSS survey of superintendents, August 2019

In our testimony at the final Senate hearing on Foundation Aid in December, we recommended a two-stage process for how to proceed with Foundation Aid.

One task is to decide whether and how to “fix the formula,” affecting how much districts will receive whenever the formula is fully funded. This can and should be a longer-term project, begun by directing and funding the State Education Department to develop options over the next year for improving our measures of student needs and the design of the regional cost index, for example.

Taking time and building-in extensive stakeholder engagement would reprise an approach that helped make the original formula the advance that it was.

The other task is more immediate: deciding how to phase-in the formula and how much each district should receive in the year ahead. We recommend continuing efforts to accelerate progress toward full

funding for districts now furthest from that goal. Typically, their aid increases have been above average but have not kept pace with increases in their students' needs.

But together with our ECB partners, we also advocate for assuring all districts receive adequate increases in Foundation Aid. The Executive Budget would provide only a 0.25% minimum increase; the minimum in the 2019-20 enacted budget was 0.75%. ECB recommended a minimum increase matching the inflation rate in the property tax cap—1.81% for the year ahead. We estimate assuring a corresponding minimum increase in Foundation Aid would add \$44 million to the increase proposed by the Governor. The property tax cap has made all districts more reliant upon state aid.

Building Aid, Transportation Aid, Residential Special Education Placements

The Executive Budget justifies the proposal to consolidate 10 now separate aids into Foundation Aid as part of an effort to “rein in expense-based aids.” The Budget also proposes changes to the largest expense-based aids, Building Aid and Transportation Aid.

For projects receiving local approval on or after July 1, the Building Aid recommendations would:

- Apply a wealth adjustment to a current 10% “incentive decimal,” reducing state reimbursement for some districts.
- Eliminate the choice of using the most favorable aid ratio (i.e., state reimbursement rates) from a series of years. The current choice enables school districts to give local voters who must approve construction propositions some assurance that the state will reimburse a consistent share of a project's costs until they are paid off. That would no longer be possible if this proposal is enacted.
- Impose limits on the incidental cost allowance which helps districts pay for costs such as site purchase and site work, equipment and furnishings, and architect and engineering fees.
- Reduce the minimum aid ratio from 10% to 5%.

While prospective, the proposals could derail current projects already well along in planning.

The Transportation Aid proposals would apply to aid beginning in 2021-22; they would:

- Impose a cap on aid for transportation operating expense tied to change in enrollment and the Consumer Price Index. The growth factor will not always match real cost increases as fuel prices spike and tight labor markets drive up the compensation districts must offer to attract and retain bus drivers. Transporting homeless children and students with disabilities to out-of-district special education programs can also drive up costs.
- Eliminate one of three options available to districts for setting the share of total transportation costs to be reimbursed by the state. If applied to the coming year, we estimate aid would be reduced for 210 districts (31% of all districts) and the average reduction would be 3.8 percentage points.

The Budget would also eliminate the 18.42% share of room and board costs now paid by the state for students with disabilities in residential special education placements. It is estimated that the proposal will shift \$26.4 million in costs from the state to school districts outside New York City.

Common to each of these proposals is that they would create new costs for school districts to absorb within the property tax cap. There is no guarantee for schools that future Foundation Aid increases would offset all or any of these costs.

Programmatic Initiatives

The Executive Budget proposes \$50 million for a collection of programmatic initiatives, including \$15 million to expand prekindergarten in high need school districts, \$10 million to expand after-school programs, and \$6 million to expand early college high schools. These are all worthwhile priorities.

The state needs a more purposeful strategy for prekindergarten. In a survey, we found that only 35% of superintendents said the needs for prekindergarten in their communities are being met by existing programs. Inadequate support is an obstacle both for launching new programs and maintaining ongoing programs. Funding levels have not been adjusted in years, requiring districts to accommodate more costs within the tax cap. This discourages districts from expanding their programs or beginning new ones. A goal should be to enable districts to design programs best responding to community needs—for example, a strong full-day program for all four-year-olds, rather than a mix of inadequate programs for three- and four-year-olds.

In his State of the State message, Governor Cuomo promised a new grant program to help school districts support local student mental health initiatives. So far, the Budget provides no details on this initiative, but it addresses an urgent priority. In our annual surveys, the percentage of superintendents identifying improving student mental health services as a top funding priority has nearly doubled since 2016, from 35% in 2016 to 67% in 2019. It was the most widely cited priority for all categories of districts we examined, whether grouped as city, suburb, or rural, or by region, or by financial outlook, or by percentages of students in poverty.

The Budget would expand the Community Schools set aside within Foundation Aid from \$200 million to \$250 million. We support Community Schools; we oppose the practice of directing the use of Foundation Aid, which is intended to be unrestricted, general purpose operating aid. We also ask that you reject a proposal to impose new limitations on the use of the set aside.

Charter Schools

The Executive Budget would increase state support for charter schools in New York City by 5.1% and permit chartering entities to reissue to new schools, charters previously granted and since surrendered, revoked, or terminated, without counting toward the cap on charter schools.

The Council's position has been that whatever the state hopes to gain through charter schools should not come at the expense of district public schools which continue to educate over 80% of the state's children. Districts do not realize dollar for dollar savings when students move to a charter school and some must maintain additional capacity in anticipation of students returning from charter schools.

The overall commitment of direct state funding to charter schools would total roughly \$240 million, plus indirect support through Charter School Transition Aid to districts. The recommended funding increase for New York City charters exceeds the proposed percentage increase in School Aid for New York City district schools. Allowing the reissuance of vacated charters would lead to increased demands on state and local school funding for charter schools.

The 2014 laws that established supplemental tuition and charter school rent payments must be revisited. These funding streams have increased rapidly and diminish the state's capacity to meet its obligations to traditional public schools. We do support controlling growth in charter school basic tuition, but we are opposed to adding those cost increases to the state budget.

Article VII Legislation

We support two legislative proposals in the Executive Budget:

- **Vaping:** Our members are alarmed by the widening epidemic of vaping and e-cigarette use among young people. The Executive Budget would place restrictions on the availability of vaping products and vaping flavors clearly targeted towards teenagers. These reforms will help curb this abuse and prevent the continuing increase in tobacco youth among students.
- **Net Neutrality:** The Governor proposed legislation that would limit the ability of internet providers to prioritize certain internet content based on cost factors. This would blunt the impact of the Federal Communication Commissions decision to eliminate net neutrality. Enacting the Executive's proposal would help limit or prevent unnecessary cost increases for providing internet services in schools.

We also urge consideration of these priorities as part of the budget to be enacted:

- **Capital Outlay Exclusion:** School districts can currently spend, subject to voter approval, up to \$100,000 on capital expenditures and receive Building Aid reimbursement the following year. To strengthen this legislation, we recommend increasing the limit to \$250,000 per year, allowing the outlay limit to be utilized for multiple buildings, and allowing approval for multi-year capital outlay plans.
- **Career and Technical Education:** Governor Cuomo and you have supported initiatives to help students make a successful the transition from high school to whatever they pursue thereafter, including most prominently Excelsior Scholarships, but also expanding access to Advanced Placement and International Baccalaureate classes, and creating more early college and PTECH high schools. A complement to these initiatives should be to expand and strengthen career and technical education opportunities by increasing the aidable salary limit in BOCES Aid and providing a corresponding increase in Special Services Aid for the Big 5 city districts and other non-BOCES member districts to support those programs.
- **Paid Time Off for Voting:** We remain concerned about the new law that enables all employees to take up to three hours off to vote in any election. During the November election, certain districts saw north of 40% of employees utilize this entitlement and thus missed valuable professional development opportunities in schools that did not conduct student instruction on Election Day. We are hugely concerned about the impact this law will have during the presidential primary and the federal/state primaries in June, which fall on a Regents Exam day. In our view, this law is entirely unnecessary, especially considering the early voting legislation you enacted a year ago.

Conclusion

Thank you once again for this opportunity to provide testimony on the potential impact of the Executive Budget upon our public schools and for all your past support of our schools.

